



Taxing matters

Kenyan citizens' experience and opinions on tax

1. Introduction

Taxes play a vital role in national development. They pay for the public services that we all benefit from, including schools, hospitals, police and infrastructure. They also represent an important bond between citizens and their government – paying taxes strengthens the perception that citizens have the right to hold government to account. And yet nobody likes paying taxes – they feel like a burden, taking away hard-earned income. The result is a kind of public contract: we accept the need to pay taxes on the understanding that those in government will spend the money wisely and in the public interest.

This brief presents data on Kenyan citizens' knowledge, attitudes and practices on matters relating to taxation. What taxes are people aware of, and which ones do they pay? Why do they think people pay taxes, and what purpose do they think they have? How many would cheat on their taxes if they thought they could get away with it, and why? And

what do citizens think of the Kenya Revenue Authority (KRA)?

Data for the brief come from a special round of Twaweza's *Sauti za Wananchi* mobile-phone panel survey. This was created through random sampling from a database of contacts from previous surveys to establish a new representative panel of the country's population. Statistical weightings have been applied to the panel, to ensure it is fully representative. For this brief, data were collected from 3,000 respondents in the fifth round of the special *Sauti za Wananchi* panel, conducted between September 11 and 24, 2021.

Key findings include:

- The tax that citizens are most familiar with is VAT
- The main reason people give for paying taxes is to help deliver services

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- Most citizens see taxes as important for the country's success and economy
- 2 out of 3 citizens say they would happily pay taxes without any enforcement
- A clear majority of citizens know KRA
- 1 out of 3 citizens have ever interacted with KRA
- Citizens are more likely to say the performance of KRA is good than bad
- Citizens hold a range of views on taxation, but have concerns about public spending
- Half of citizens say tax evasion is widespread in Kenya
- The main reasons given for tax evasion are that people feel taxes are too high or that they are underpaid

2. Kenyan citizens' experiences and opinions on tax

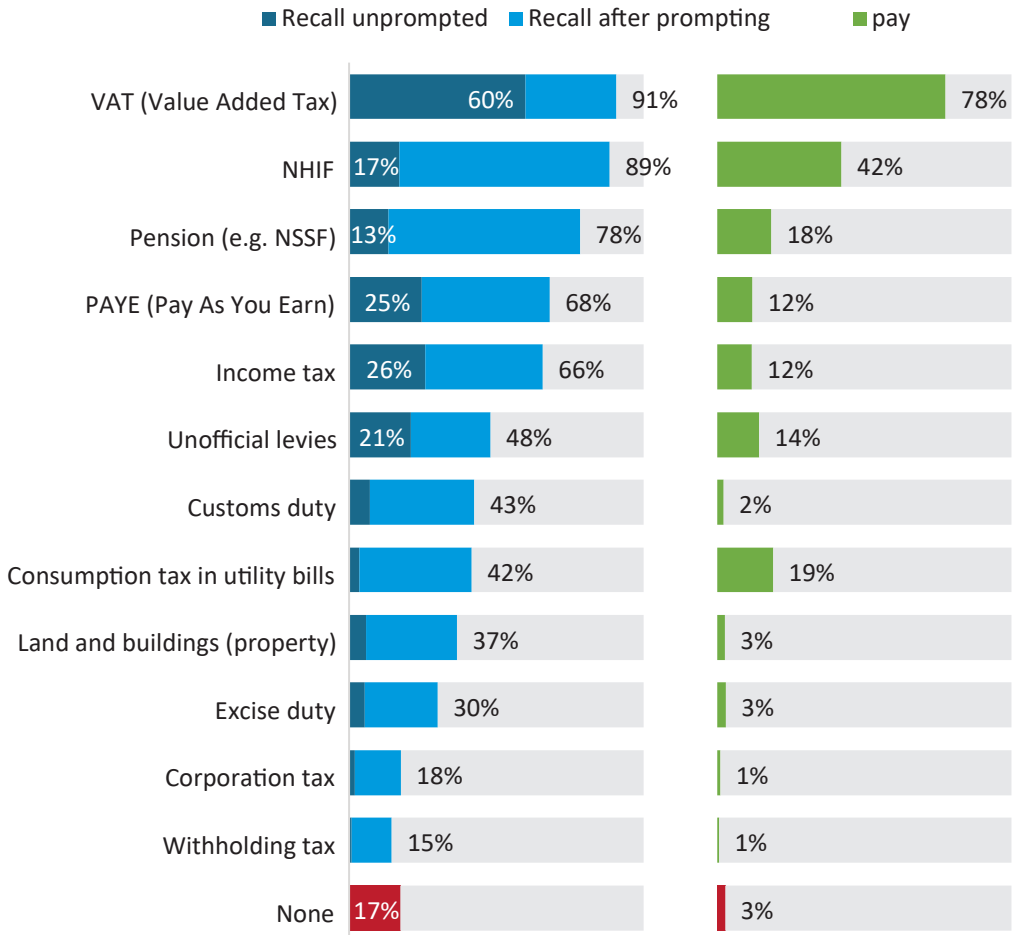
Insight 1: The tax that citizens are most familiar with is VAT

Nine out of ten citizens (91%) are aware of Value Added Tax (VAT), including a majority (60%) who recall the tax unprompted. Eight out of ten (78%) report that they pay VAT. In both cases, this puts VAT well ahead of other forms of taxation in terms of familiarity.

Other taxes are familiar to many citizens after prompting, including the National Health Insurance Fund (NHIF; 89%, 17% unprompted), Pensions (78%, 13% unprompted), Pay As You Earn (PAYE; 68%, 25% unprompted), and income tax (66%, 26% unprompted).

Of these, the only one paid by more than one out of five citizens is NHIF (42%). Other taxes paid by substantial numbers include consumption taxes embedded in utility bills (19%), pensions (18%), unofficial levies (14%), PAYE (12%) and income tax (12%).

Figure 1: Which taxes/mandatory payments, that citizens make, are you aware of? Which do you pay?¹



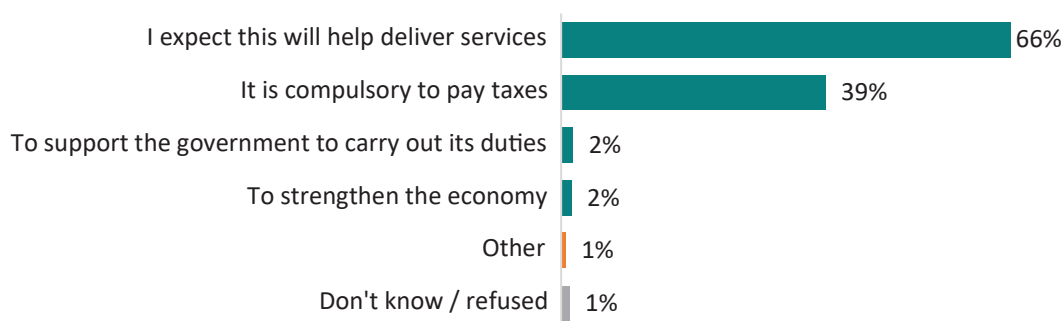
Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)
Base: all respondents (n=3,000)

Insight 2: The main reason people give for paying taxes is to help deliver services

Citizens say the main reason that they and others pay taxes is that they feel this will help deliver services (66%). This is followed by four out of ten (39%) who say people pay tax because it is compulsory to do so.

1 Percentages in charts may not add up to 100% due to rounding

Figure 2: Why do you or other people pay taxes / levies / duties?
(multiple responses permitted)



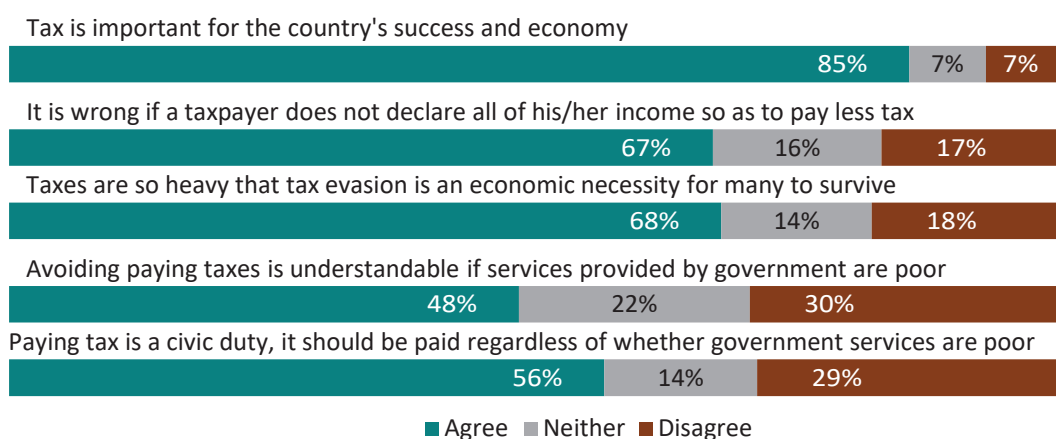
Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)
Base: all respondents (n=3,000)

Insight 3: Most citizens see taxes as important for the country's success and economy

A clear majority of citizens (85%) agree with the statement that tax is important for the country's success and economy. However, there is a more mixed picture when it comes to avoiding tax. While the majority (67%) say it is wrong to hide some sources of income in order to pay less tax, a similar number (68%) say taxes are so heavy that tax evasion is an economic necessity for many in order to survive.

Half (48%) say avoiding taxes is understandable if public services are poor, though more (57%) agree that paying tax is a civic duty even when services are substandard. One out of three citizens (30%) hold both these views at the same time (not shown in charts).

Figure 3: How much do you agree / disagree with the following statements?



Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)
Base: all respondents (n=3,000)

Insight 4: 2 out of 3 citizens say they would happily pay taxes without any enforcement

Two out of three citizens (67%) say they would happily pay taxes without any enforcement. Just over one out of ten (14%) say they would cheat on tax if they had the chance and thought they would get away with it.

Figure 4: How much do you agree / disagree with the following statements?

You would happily pay taxes without any enforcement



You would cheat on tax if you had the chance



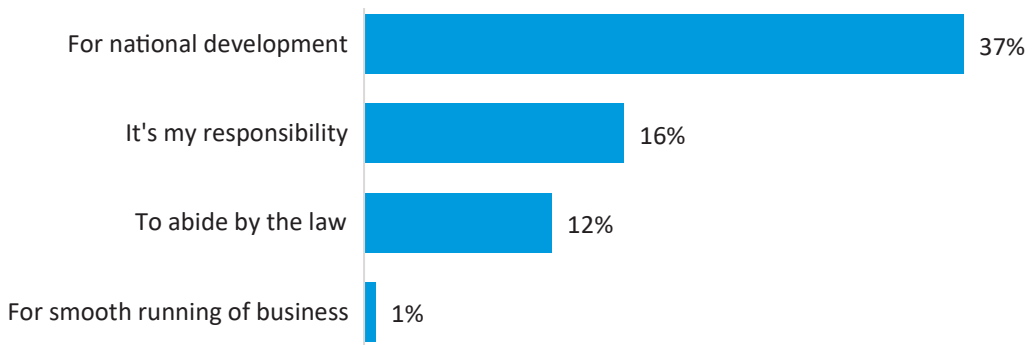
■ Agree ■ Neither ■ Disagree

Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)

Base: all respondents (n=3,000)

The main justification given for paying taxes happily without enforcement is to contribute to national development (37%). Others say they feel this way because paying tax is a responsibility (16%) or because it is the law (12%).

Figure 5: Why would you happily pay taxes without enforcement?



Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)

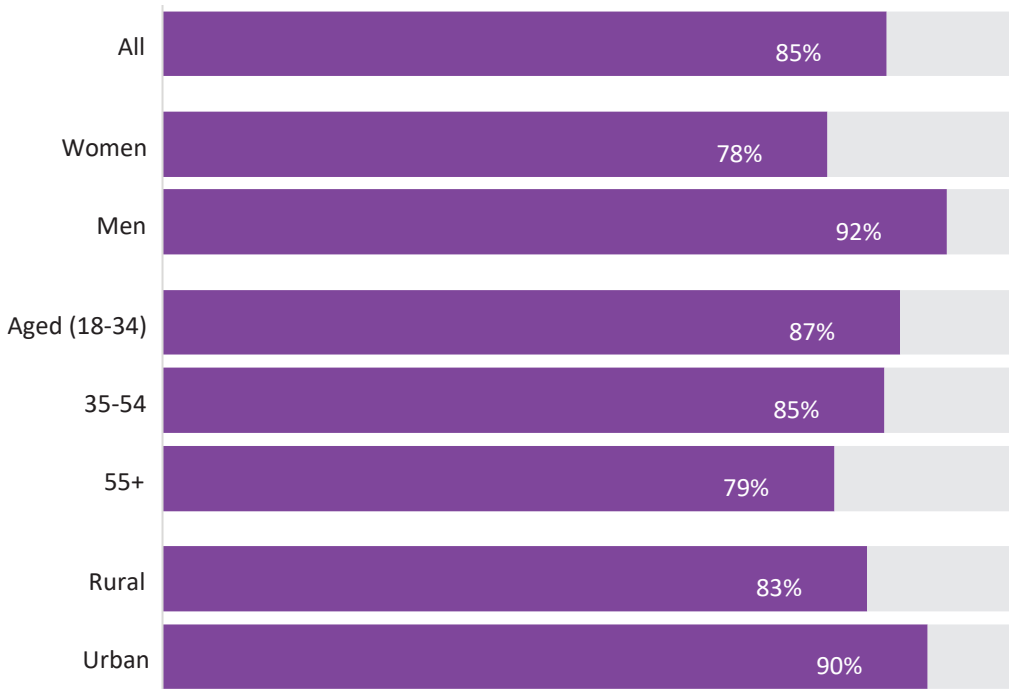
Base: all respondents (n=3,000)

Insight 5: A clear majority of citizens know of KRA

A clear majority of citizens (85%) know of the Kenya Revenue Authority (KRA).

The figure is high among all demographic groups, though higher among men (92%) than women (78%), and higher among younger citizens and residents of urban areas.

Figure 6: Percentage who are aware of / have heard of the Kenya Revenue Authority (KRA):

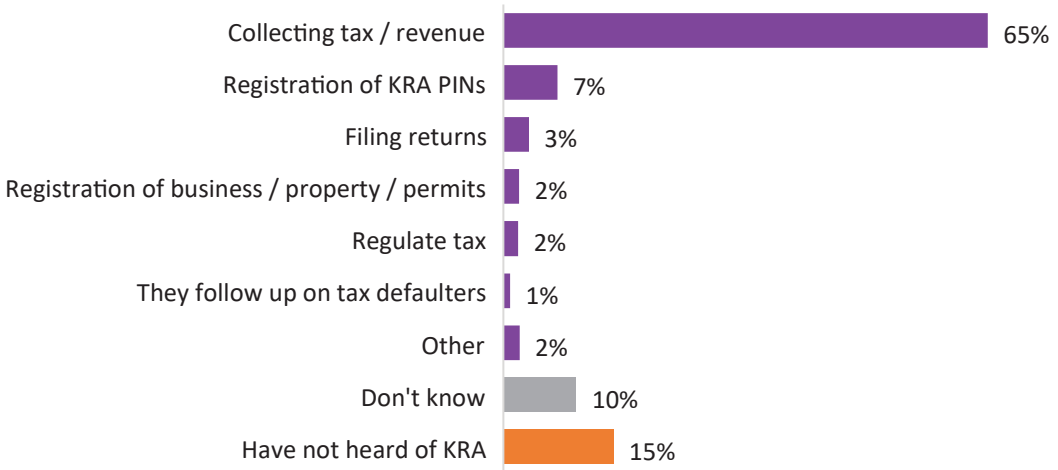


Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)

Base: all respondents (n=3,000)

Most citizens say the work of KRA is to collect tax / revenue (65%). Others mention the registration of KRA pins (7%), filing returns (3%), business and property registration (2%) and tax regulation (2%).

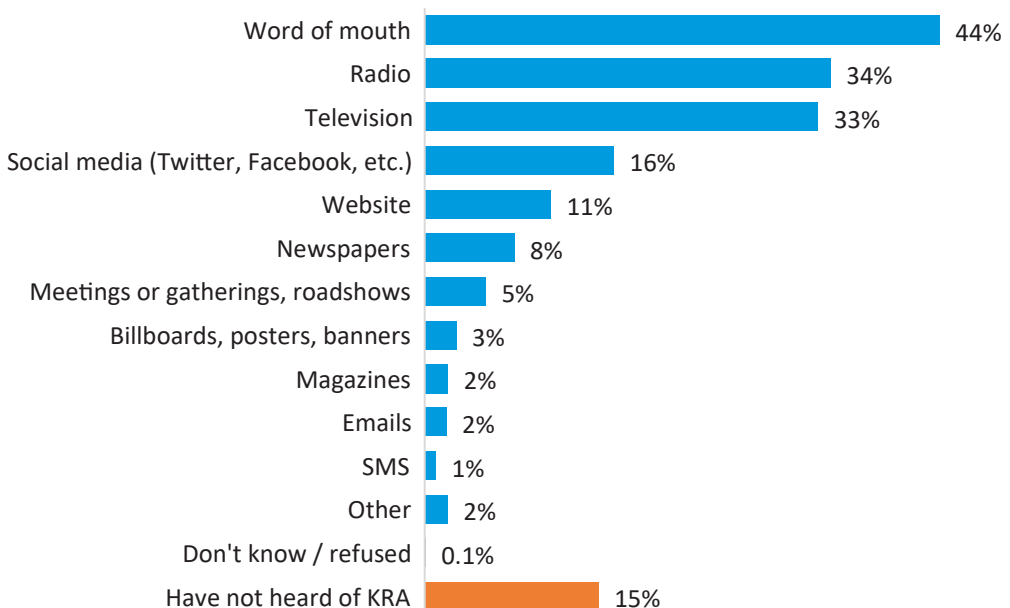
Figure 7: What services does KRA provide / what is their work?
(multiple responses permitted)



Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)
Base: all respondents (n=3,000)

Most citizens know of KRA through either word of mouth (44%), radio (34%) and/or TV (33%).

Figure 8: Where did you hear about KRA?
(multiple responses permitted)

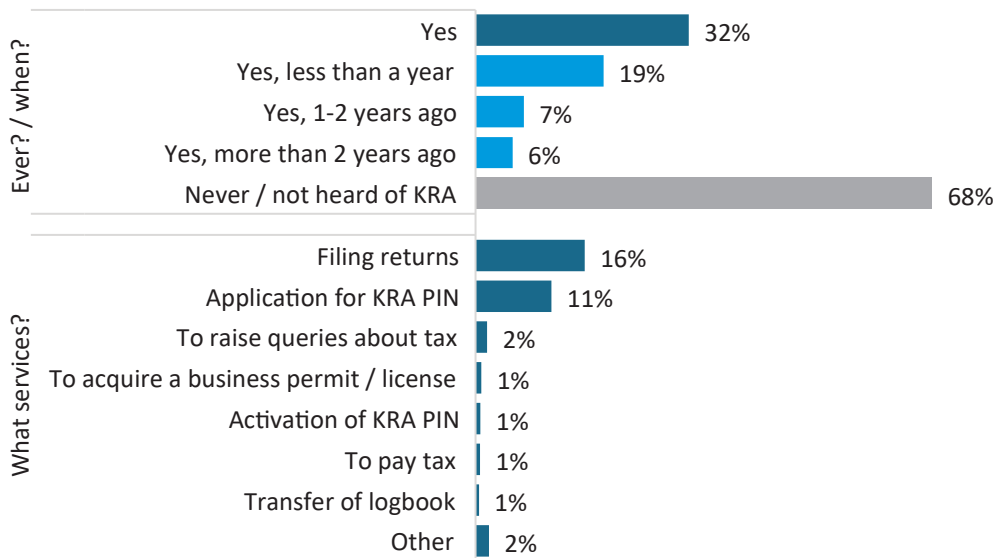


Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)
Base: all respondents (n=3,000)

Insight 6: 1 out of 3 citizens have ever interacted with KRA

One out of three citizens (32%) have ever interacted with KRA, most of these (19%) have done so at least once in the past year. Business owners are a little more likely to have interacted with KRA. The most common reasons for such interactions are to file a return (16%) or to apply for a KRA pin (11%).

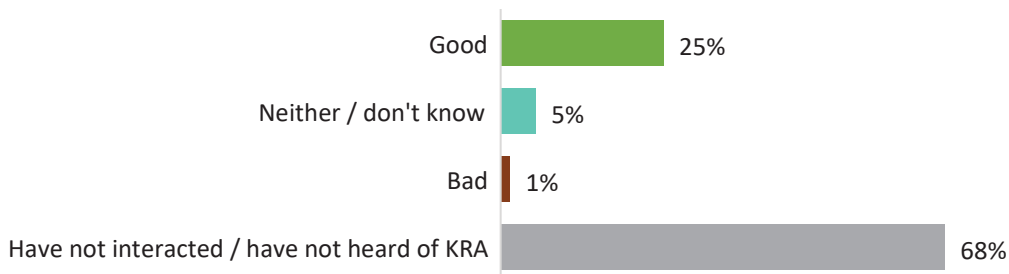
**Figure 9: Have you ever interacted with KRA?
If so, when was your most recent interaction? What services did you need?**



Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)
Base: all respondents (n=3,000)

Among those who have interacted with KRA, most say the experience was a positive one. This is consistent across those who do and do not own a business. Mostly they say this is because the process was quick and easy (not shown in charts.)

Figure 10: How would you rate your experience interacting with KRA?



Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)
Base: all respondents (n=3,000)

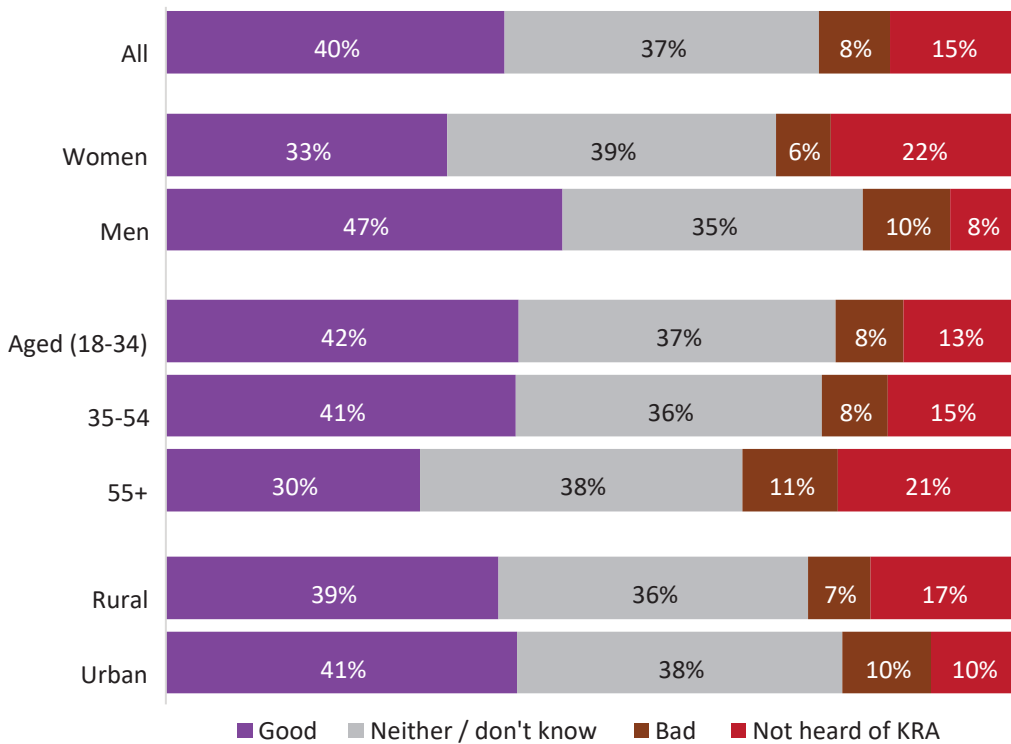
Insight 7: Citizens are more likely to say the performance of KRA is good than bad

Four out of ten citizens (40%) say KRA is doing a good job, compared to one out of ten (8%) who say KRA is doing a bad job.

Women and older citizens are less likely to say KRA is performing well, though this is partly because they are also less likely to know of KRA and its work.

Business owners are a little more likely than others to say KRA is performing well, though this is largely accounted for by the smaller number of business owners who are not aware of KRA.

Figure 11: Overall how would you rate the performance of KRA?



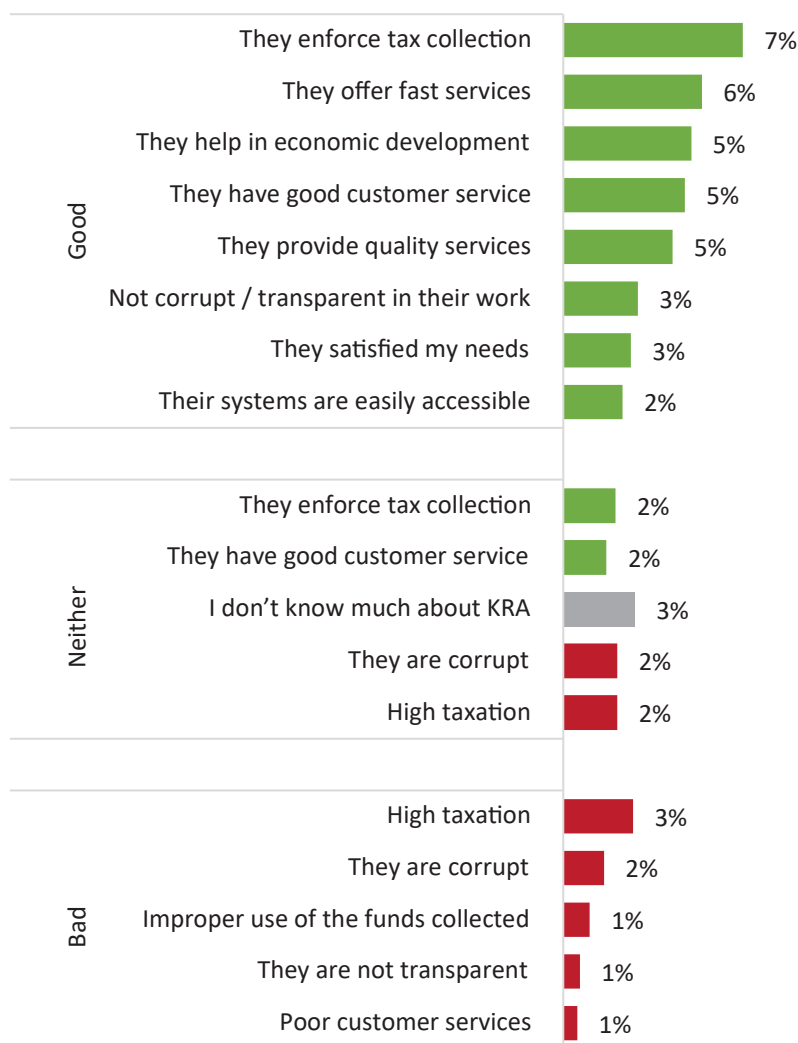
Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)

Base: all respondents (n=3,000)

A range of reasons are given for applauding KRA for its work, including that they enforce tax collection (7%), offer speedy services (6%), help foster economic development (5%), have good customer service (5%) and provide quality services (5%).

At the other end of the scale, the main reason given for dissatisfaction with KRA is that taxes are too high (3%).

Figure 12: Why do rate KRA performance as good / bad?
(multiple responses permitted)



Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)
Base: all respondents (n=3,000)

Insight 8: Citizens hold a range of views on taxation, but have concerns about public spending

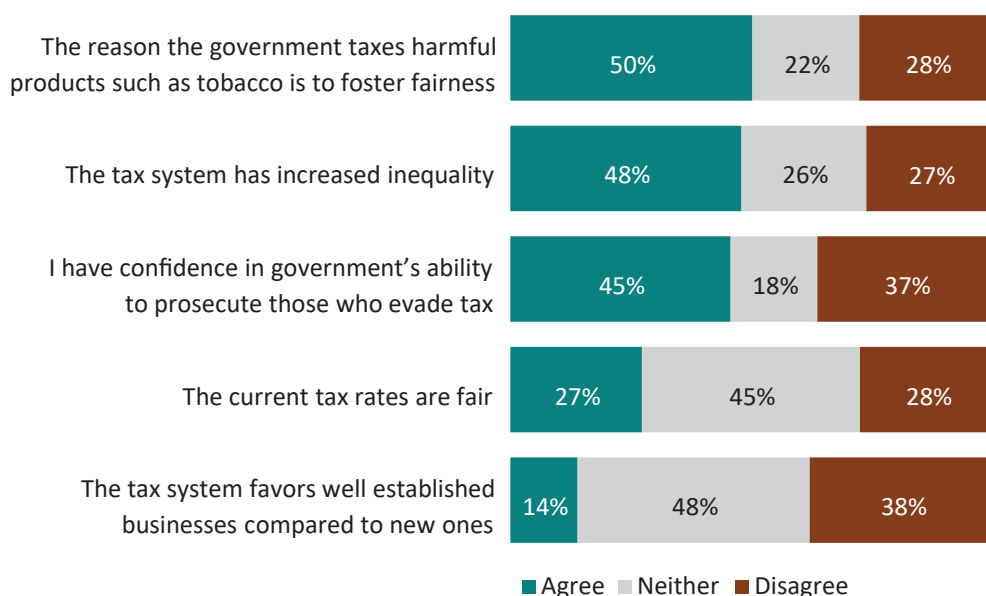
Citizens hold a range of views on taxation. Half (50%) agree that harmful products such as tobacco are taxed in order to foster fairness, though a similar number (48%) say the tax system has increased inequality.

Close to half (45%) say they have confidence in the government’s ability to prosecute tax evaders.

Citizens are evenly divided on whether current tax rates are fair. A quarter (27%) agree that they are fair, while the same number (28%) disagree.

Citizens do not think the current tax system favours well-established businesses over newer businesses: more (38%) disagree with this view than agree with it (14%).

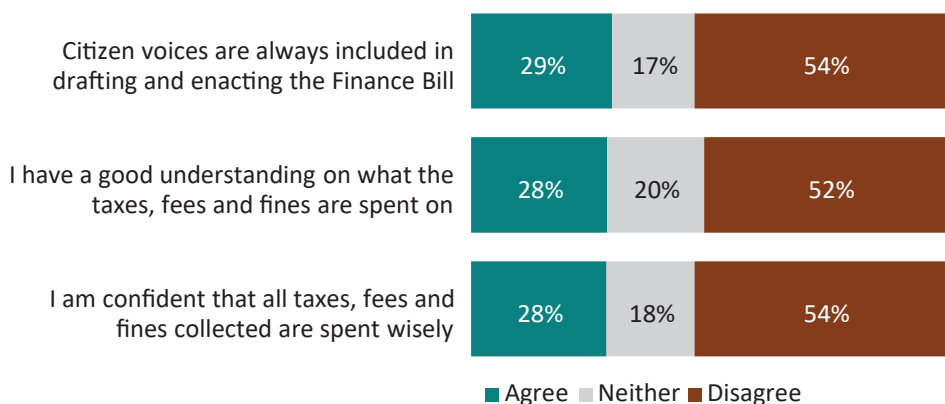
Figure 13: Do you agree / disagree with the following statements?



Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)
Base: all respondents (n=3,000)

Citizens are clear in their view of public spending: that there is room for improvement. For every one who agrees that citizens voices are heard in the budget process, two do not agree. Citizens are also not confident that they understand what tax and other revenues are spent on (28% agree, 52% disagree), and that they are confident that taxes and other revenues are spent wisely (28% agree, 54% disagree).

Figure 14: Do you agree / disagree with the following statements?

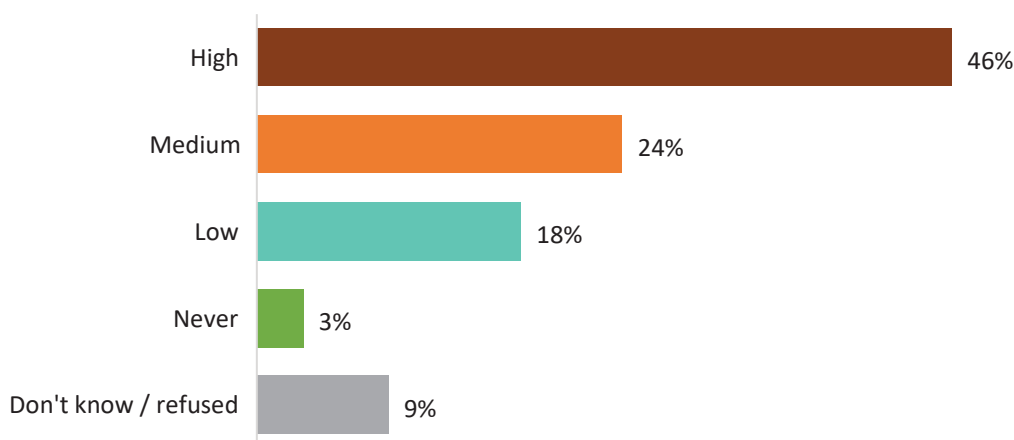


Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)
Base: all respondents (n=3,000)

Insight 9: Half of citizens say tax evasion is widespread in Kenya

Half of citizens (48%) say that the level of tax evasion by companies, organisations and individuals in Kenya is high. This compares to a two out of ten (21%) who either say the level is low (18%) or that this never happens (3%).

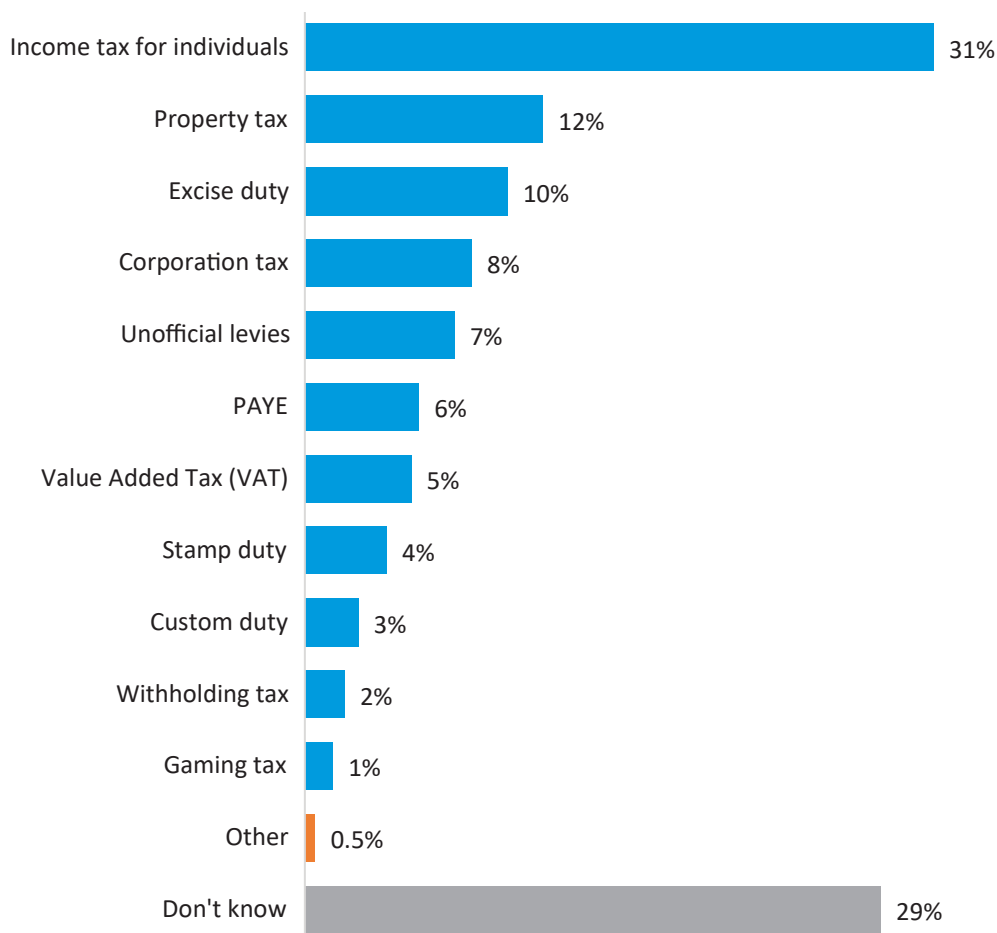
Figure 15: Would you say that the rate of tax evasion by individuals, businesses and organisations is high or low?



Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)
Base: all respondents (n=3,000)

The tax most commonly avoided – according to three out of ten citizens (31%) – is income tax on individuals. This is followed by property tax (12%), excise duty (10%) and corporation tax (8%)

Figure 16: What kind of taxes do most people avoid?
(multiple responses permitted)



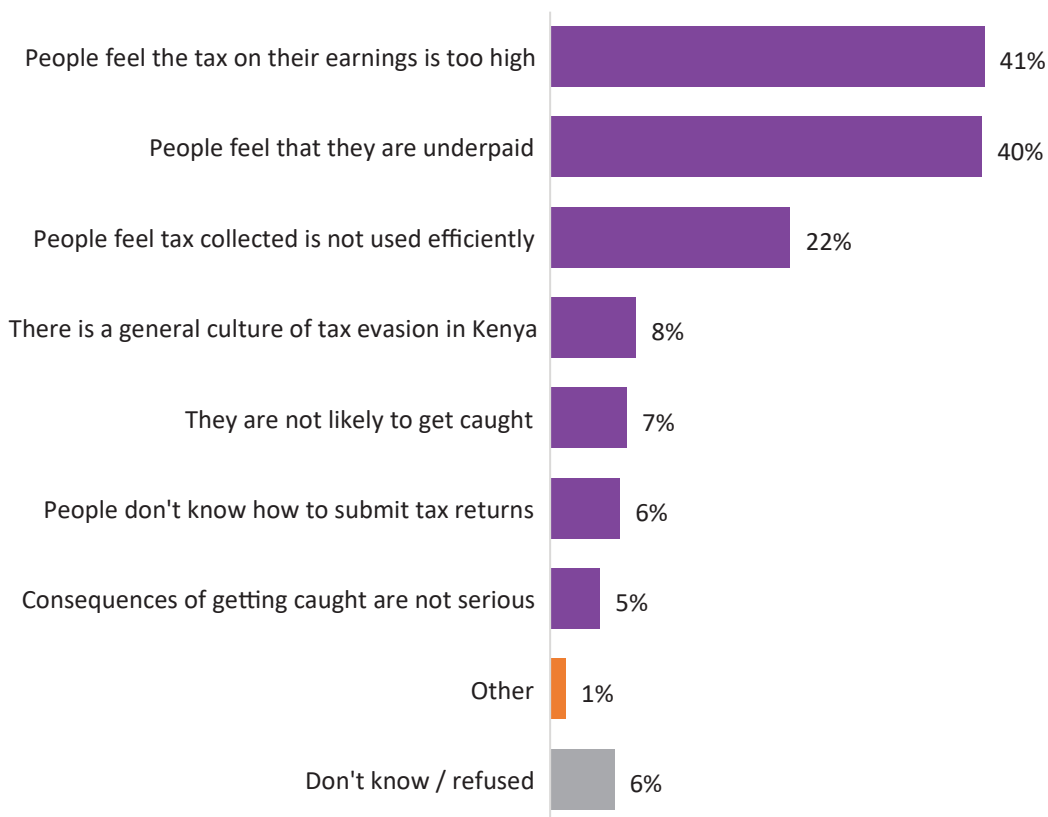
Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)
Base: all respondents (n=3,000)

Insight 10: The main reasons given for tax evasion are that people feel taxes are too high or that they are underpaid

The two main reasons given for people evading tax in Kenya are the belief that tax rates on income are too high (41%) and that they are underpaid (40%).

The third reason given is a sense that taxes are not spent efficiently by the government (22%). This is well ahead of other reasons, including a general culture of tax evasion (8%), low risk of being caught (7%) and unfamiliarity with the process of submitting returns.

Figure 17: What do you think are the reasons that people avoid taxes?
(multiple responses permitted)



Source: *Sauti za Wananchi* mobile phone survey, special panel r5 (11-24 Sep, 2021)
Base: all respondents (n=3,000)

3. Conclusions

Citizens of Kenya broadly understand the importance of taxes for the country, though they also have a range of concerns about how the tax system operates. The vast majority of citizens agree that taxes are important for the country's success and for the national economy, they recognise a connection between taxes and public service delivery, and most say they would pay their taxes even without enforcement.

Nevertheless, citizens also hold a range of more complicated views. In particular, while two thirds say hiding income in order to avoid tax is wrong, the same number also say tax evasion is an economic necessity for many. And half say avoiding taxes is understandable if public services are poor, while half also say paying tax is a civic duty irrespective of the state of public services. This even includes a substantial number (30%) who agree with both these apparently contradictory

statements. Further, while the majority say they would pay their taxes without enforcement, half also say the level of tax evasion in Kenya is high.

Such apparent contradictions are not uncommon in public opinion, particularly when a tension exists between personal interest and the public good. This tension is particularly strong in the case of taxation.

There is no such contradiction in the strength of public approval of the Kenya Revenue Authority. Citizens are five times more likely to say KRA is doing a good job as to say it is doing a bad job, and almost all of those who have personally interacted with KRA recently said their experience was positive. The reasons given include a lot of mentions of good customer service, speed, quality, accessibility and transparency. And even among those who say KRA is not performing well, the main reason given is high tax rates, which are not technically within KRA's control.

There is also more clarity in citizens' views on public expenditure: citizens are broadly more sceptical. While the tax collection system has broad public support, citizens lack confidence in how the government spends their money. They mostly say citizens are not involved in budgeting decisions, they don't know what money is spent on, and they are not sure it is spent wisely.

The overall picture is therefore that while citizens broadly support the tax system in general and KRA in particular, the social contract is under most tension when it comes to public spending. Perhaps the most useful thing the government could do to build support for and compliance with the tax system would be to increase public participation and transparency on public spending matters. And of course, citizens would like tax rates to be lower – but that has that been the case always and everywhere, and is unlikely to ever change.

